

~~RESTRICTED~~

25X1A2g

29 Oct 53

COUNTRY: Malaya

SUBJECT: "Report on Malaya"

Place Acquired by Source:

25X1A6a

C 28510

Date Acquired by Source:

Date of Information: 1953

SOURCE: Documentary

Available on Loan from the CIA Library is a Galley Proof of an article which will appear in the December 1953 issue of the Atlantic Monthly entitled: "Report on Malaya". This Galley Proof is to be considered ~~RESTRICTED~~ until after the date of publication.

-end-

~~This unevaluated information for US Officials
Only is supplied for the possible interest of
your analysts. It does not warrant dissemina-
tion by [REDACTED]~~

25X1A2g

~~RESTRICTED~~

RETURN TO CIA
LIBRARY

Malaya

CLASSIFICATION: RESTRICTED until 4 Dec 53
 UNCLASSIFIED after 4 Dec 53

138

CPYRGHT

OO DC-14 OO

Oct. 23, '53
 10-35-11 AM-12 (377-389) 4400 p. 377

MORNING

While the French in Indo-China have been losing by dribbles in their war against Communism, the British in Malaya have been winning by dribbles in theirs. The British residents and all the people of Malaya are getting blasé about their war. The "emergency," as their government euphemistically prefers to call it, is now nearly six years old. Very little happens in it that is new or different. The situation is static.

The army and the police have improved their techniques of jungle fighting, of protecting the vital rubber estates and tin mines, and of starving out the "bandits" by denying them food. But the visible results are meager. It's a big day, with banner headlines in the papers, when as many as three terrorists surrender or are killed or captured.

And for every Red who falls, another springs up to take his place. When the Communists first went underground in 1948, British intelligence estimated that about 5000 of them took to the jungle, nearly all of them Chinese. Since that time more than 6500 have been definitely eliminated in one way or another. Yet British intelligence still makes the same estimate — 5000 terrorists in the jungle, 95 per cent of them Chinese.

On the other hand, the Red leaders are also having trouble maintaining the enthusiasm of their followers. Life in the jungle is no picnic. The guerrilla bands can grow little food in the dense tropical forests and swamps. They must depend on getting supplies from civilians outside. And British food-denial operations have taken effect. There is every indication that most of the bandits are going hungry.

The Communists change their tactics

The most significant development in the war in the last year has been the complete change in Communist tactics. By hard experience the Red leaders learned that the sensational ambushes and raids of the first four years of the emergency had got them no nearer to control of the country. The unrestrained terrorism they employed to get food and contributions from civilians, both Chinese and Malay, cost them dearly in popularity.

A year ago, according to captured documents, 32-year-old Communist boss Chin Peng ordered the armed guerrillas, the "Malayan Racial Liberation Army," to give up their overt terrorist tactics and to retire deep into the jungle. Their contact with the outside world now comes through their cadres of sympathetic Chinese civilians in the towns and villages. These secret and highly organized groups, known as the Min Yuan, are responsible for getting supplies and fresh recruits to the fighting forces. Terrorism is to be applied only in specific cases and when necessary.

As a result of this new policy, the number of "incidents" so far this year is down by 75 per cent, and the number classed as "major incidents" by nearly 90 per cent. Only one European planter has been killed since last November, as against 77 killed in the first five years of the emergency. Planters now are leaving their armored cars in the garage and traveling freely in their more comfortable cars. Most roads are open to civilian traffic day and night. Rubber and tin production have hardly been affected this year by terrorist activity. Even the British soldiers of fortune who, when Palestine calmed down in 1949 and 1950, came to Malaya to officer the augmented police force are now moving on to more exciting jobs in Kenya.

That is not to say that the army isn't pressing the war. Under the prods of a stern taskmaster, High Commissioner General Sir Gerald Templer, the security forces stay very much on the alert. There are about 40,000 regular troops in Malaya, including 25,000 British, mostly young draftees. The other 15,000 are East Africans, Fiji Islanders, Malays, and the tough, jungle-wise Gurkhas. Troops are continually patrolling the jungle and attempting to track terrorists to their secret camps.

The police force numbers 70,000, practically all Malays. Young Chinese have notoriously failed to take advantage of opportunities to join the police and the army. There are also, to be sure, 255,000 home guards, Chinese and Malays, but their effectiveness, even in their simple job of guarding their own villages, is somewhat questionable.

The bandits, now deeply entrenched in the swamps and mountains, get harder and harder to find. Total kills and captures for the year are

O AD-119 O

Oct. 23, '53
10-35-11 AM-12 (377-389) 4400
p. 380 MORRILL

down from 1952. An encouraging sign is the upturn of surrenders that started in the fall when the food shortages really began to pinch. In two cases bandits killed their gang leader and turned themselves over to police. The British feel that their psychological war effort, keyed to widening the gulf between the hardcore Communist leaders and their younger, indoctrinated followers, is paying off.

The promise of independence

Among civilians, politics and economics are much more frequently discussed than the war. Political talk in Malaya chiefly concerns the independence of the country and the relations among the racial groups. Discussions of economics revolve again and again around the prices of rubber and tin.

The British have committed themselves absolutely to a policy of turning over the government to an independent, sovereign Malaya. They have never, however, committed themselves to a date.

The problem of self-government is complicated beyond that in most Asian countries by the number of Chinese in Malaya. For centuries Chinese traders and coolies have emigrated to all the countries of Southeast Asia, always with the idea of making money and eventually returning home to the among the graves of their ancestors. But during the last twenty years, and especially since the Communists took over in China, the *emigrés* have lost their desire to go home.

In Malaya, where they had come to work on the rubber plantations and in the tin mines, there is a higher proportion of Chinese than in any other country outside their homeland. In the Federation, Malays number 2.6 million and Chinese about 2 million.

Immediately after the Second World War the British attempted to reward the Chinese for their resistance to the Japanese by giving them an equal share in the government of Malaya with the Malays. Among the Malay aristocracy, traditional governing class of the Malay states, there was an immediate outburst of racial nationalism. It coincided to a certain extent with the nationalist revolution of the Malays' cousins across the straits, the Indonesians.

The British shifted their ground and set up the present Federation of the nine Malay states, each ruled by a sultan or a rajah, and the two former Straits Settlements of Penang and Malacca. Only in Penang and Malacca do the Chinese have equal citizenship rights with the Malays.

On the whole, the Malays have not taken an active part in the sensational economic development of Malaya in the last hundred years. They have stayed in their kampongs, or villages, raising their rice and fishing in the rivers. Only the aristocracy have been educated to run the government and the civil service. The Chinese have worked hard, and many of them have made money in trade, in rubber, and in tin. But until recently they have shown no interest in government. They have the economic power; the Malays have the political power.

Phony alliance

According to political observers, the great bulk of the people of Malaya are far less affected by nationalism than most Asians and don't worry about independence. But the leaders of the two racial groups are pushing hard for self-government for the country as soon as possible. Each group has its own political party. The United Malays National Organization, or UMNO, holds that the country belongs by right to the Malays, who should govern it. The Malayan Chinese Association, or MCA, is headed by a wily old millionaire, Dato Sir Cheng-lock Tan, whose family have lived and prospered in Malacca for nearly two hundred years. He derides the idea of the Malays' owning the country through any claims of priority. MCA wants complete equality for Chinese who choose to make their homes in Malaya.

O AC-110 O

Oct. 23, '53
10-35-11 AM-12 (377-389) 4400
p. 383 MORRILL

138

Both groups are eager to take a crack at governing the country. In an effort to prove to the British that they can get along together, MCA and UMNO this year have formed a working alliance. Each side apparently thinks that for the moment it can afford to compromise.

Privately UMNO leaders say that once they get into political power they will be able to control Chinese economic interests. The MCA is just as confident that in the long run money will talk. Despite their differences, leaders from the two sides met this fall and issued a ringing declaration of solidarity, calling for elections for a federal legislative council in 1954. They accused the British of the age-old tactic of "divide and conquer" to delay their departure from the halls of government in Kuala Lumpur.

But much of the British reluctance to turn over the sovereignty of the country is due to a genuine fear of granting self-government to two conflicting groups, as England did in India and Pakistan, or to an unprepared government, as England did in Burma. Nor will the British trust the Chinese community as long as it continues to support, openly or covertly, the cause of Communism in Malaya or in China.

Most British would prefer to see a nonracial political party gain enough prestige to warrant turning over the reins of government to it. The only important group of that type is the Independence of Malaya Party, organized by a senior Malay statesman, Dato Sir Onn. The IMP has a strong intellectual appeal, and its members include many of the Malays and Indians now in relatively high positions in the government and the civil service.

IMP stands for a gradual shift in sovereignty. It is difficult, however, for an IMP candidate to compete on such a platform against the racial attraction and the violent nationalism of UMNO and MCA candidates. In the towns where elections have been held, UMNO and MCA have swamped IMP every time.

Rubber and tin prices
Certainly the British will not turn over the sovereignty of Malaya without firm guarantees for their heavy investments in the peninsula. Rubber and tin are the two great dollar earners of the sterling bloc. Last year Malaya produced 584,000 tons of rubber, slightly over half of the world's natural rubber production, and 62,570 tons of tin, over a third of world production. The rubber brought in about \$370 million, the tin another \$150 million.

This year, with stockpiling in the United States virtually ended and with the armistice signed in Korea, the prices of both rubber and tin have plummeted. From a high of 77 cents a pound in 1951, rubber has dropped this fall to its pre-Korean price of 19 cents. Tin went to 82.20 a pound at the height of the boom. This winter it is wobbling around 27 cents.

Throughout Malaya the United States is blamed for the drop in the prices of the two key commodities. Government support of the synthetic rubber industry is looked on as the ruin of the natural rubber estates. Planters' organizations circulate pamphlets to their members suggesting that they write and talk to American friends, urging "a more liberal buying policy to American business."

Many of the complaints of the Malayan business can be written off as untrue. The country is essentially prosperous. Most well-run rubber estates and tin mines are continuing to pay dividends, that an American corporation would consider generous. There is little unemployment, and there are no signs of economic distress. Only a few of the marginal tin mines, mostly owned by Chinese who sift the tailings left by the large operations, have been driven to the wall. No rubber estates have failed yet, and the only smallholders really to suffer are those who present their crepe sheets for sale too dirty to be acceptable in a buyer's market.

CPYRGHT

138

O AD-74 O

Oct. 23, '53
 10-35-11 AM-12 (377-389) 4400
 p. 386 MORRILL

But some of their arguments are valid. In comparison with pre-war prices, for instance, rubber and tin have not maintained parity with commodities sold by the U.S. to the sterling bloc. Tin at 77 cents a pound is only 50 per cent above its 1939 price. Rubber at 19 cents is hardly up 10 per cent. Two-dollar wheat, on the other hand, is nearly three times its 1939 price. Corn is up 250 per cent, and cotton more than 300.

General Templer has estimated that a drop of one third of an American penny in the price of rubber costs the Malayan government \$690,000 a year in lost export duties and the country about \$4 million in gross national income. This year the price of rubber has dropped more than a nickel, knocking the props out from under the original budget estimates of revenue. The cost of the war this year has been about \$90 million, just under one third of the budget. The budget deficit is expected to run in excess of \$70 million.

Aside from the costs of maintaining an army in Malaya, Great Britain has contributed no financial help to the war effort. The United States has no aid mission of any sort in Malaya, and has not been called on to give the country financial assistance. So far, Malaya has borne the cost of the emergency itself.

The government also has heavy expenditures on social welfare measures designed to fight Communism at the basic village level. The school system is being rapidly expanded to meet the needs of a growing population. The cost of education this year is \$30 million. Public health, particularly the war against malaria and tropical diseases, takes another \$16 million.

The New Villages

Resettling the squatters from their scattered homes at the edge of the jungle has been an expensive project. The bandits were using these squatters, most of them Chinese, as a source of food. The government forcibly moved 470,000 of them—one out of every eleven persons in the country—into the so-called "New Villages." There, surrounded by barbed wire, they can be protected—and watched.

After four years the New Villages are beginning to pay off. In general the squatters, most of whom hated to move from their isolation into the villages, would now refuse to leave behind the protection, the schools, and the companionship of their new homes. Many of them have formed cooperatives to raise and to market pigs and garden vegetables. Some of the villages have already been allowed to hold elections for their own local officials.

As long as Malaya depends on only two commodities for its economic well-being, it is likely to be visited by booms and busts. Just now it is suffering from the after-effects of a boom. But despite the scare talk, there is no threat, immediate or remote, of unemployed rubber tappers and starving tin miners joining the Communists to revolt against law and order.

The wisest observers of the Malayan scene, including the director of finance of the Federation, believe that the country could be driven to such a fate in the immediate future by only one contingency: a major depression in the United States.